ANNUAL REPORT 2011

THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO / CONSEIL DES EXPERTS-COMPTABLES DE LA PROVINCE DE L'ONTARIO

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ABOUT THE COUNCIL

The Public Accountants Council for the Province of Ontario (the Council) is a corporation without share capital that was continued under the *Public Accounting Act, 2004*.

The purpose of the Council is to ensure that public accounting in Ontario is practised in accordance with internationally respected public accounting standards that reflect the public interest in the delivery of superior quality public accounting services.

Public accounting is the business of expressing independent assurance and certain other services in respect of financial statements and other financial information of enterprises where it can reasonably be expected that the services will be relied upon or used by a third party.

The Council is responsible for:

- developing and maintaining the standards that a Designated Body must meet in order to be authorized to license and govern the activities of its members as public accountants;
- determining which Designated Body meets the standards, when it meets them and whether it continues to meet the standards after it is authorized to license and govern the activities of its members as public accountants;
- overseeing the Designated Bodies in their capacity to license and to govern the activities of their members as public accountants; and
- maintaining public confidence in public accounting through the appropriate prosecution of offences under the *Public Accounting Act, 2004*.

The Designated Bodies named in the *Public Accounting Act, 2004* are the:

- Certified General Accountants Association of Ontario (CGAO)
- Certified Management Accountants of Ontario (CMAO)
- Institute of Chartered Accountants of Ontario (ICAO)

Upon the Council being satisfied that a Designated Body meets the Council's standards, the Council may provide written authorization to the Designated Body to license and govern its members as public accountants. A Designated Body that has received such authorization is an Authorized Designated Body.

As of December 13, 2011, being the date on which this Annual Report was approved by the Council, the ICAO and the CGAO have been approved as Authorized Designated Bodies.

THE COUNCIL STANDARDS

The Council's Standards were approved in their initial form on June 20, 2006 and are published on the Council's website, at www.pacont.org. The Council's Standards require a Designated Body that seeks to be authorized to license and govern the activities of its members as public accountants to meet certain minimum standards relating to its:

- education, examination and practical experience requirements;

- rules of professional conduct, mandatory practice inspections of public accountants, the use of generally accepted accounting principles and generally accepted auditing and assurance standards, discipline procedures, the issuing of new licences to former licensees, the issuing of licences to persons who are permitted to practise in other jurisdictions, and mandatory professional liability insurance; and

- governance standards respecting the licensing and governing of the activities of its members as public accountants.

The Council has also adopted Council Guidelines. These deal with aspects of the Council's Standards where it is in the public interest that the Authorized Designated Bodies have a consistent approach. Council Guidelines are published on the Council's website. No new guidelines have been issued in the past year.

KEY ACTIVITIES OF THE COUNCIL

Key activities of the Council during its 2011 fiscal year (November 1, 2010 - October 31, 2011) and up to the date (December 13, 2011) when the Council approved this Annual Report were:

Oversight of the Assessment of Substantial Equivalence

The Council continued to monitor the progress of the independent evaluators (the Evaluation Team) retained by the Council to assist in the assessment of the substantial equivalence of the public accounting standards of the Designated Bodies. In this respect:

CGAO

As noted in the 2010 Annual Report of the Council, at its meeting of June 22, 2010 the Council accepted the *Final Report* of its Evaluation Team. And on this same day the CGAO became an Authorized Designated Body under the *Public Accounting Act, 2004*.

In this *Final Report*, the Evaluation Team expressed the opinion that the CGAO public accounting standards had achieved substantial equivalence to the Council Standards in respect of those members of the CGAO who had completed the 51 credit-hour preparation, and could therefore provably develop a public accountant with the competencies comparable to those of a public accountant produced by the benchmark program underlying the Council Standards. At the same time, in view of the fact that the required GGAO public accounting examinations would of necessity be conducted for the first time, it was noted that certain review procedures would need to be implemented once candidates were actively involved in completing the licensure program. The Evaluation Team also expected in the months following to extend its assessment of procedures to the program (based on distance learning) for CGAO candidates other than those completing the 51 credit-hour preparation.

The Evaluation Team began implementing and assessing the above-mentioned 51 credit-hours review procedures once candidates started to sit the agreed public accounting examinations in the fall of 2010. Assessment of the program and related procedures for CGAO candidates other than those in the 51 credit-hour program was also begun in 2010.

Both sets of assessments have been proceeding well – continuing through the past year and expected to advance further in the year ahead.

As regards the examination review procedures for candidates who have completed the 51 credit-hour preparation, the pace of implementation monitoring for the examinations in question is driven by the numbers of CGAO candidates that present themselves. These have recently expanded significantly, thereby providing substantial additional material on which to prove out the examination process in the coming year.

The report also indicated that the judgment of substantial equivalence was expected to be extended to the CGAO's

own courses when the Advanced External Audit course and examination (AU2) was satisfactorily completed. The Evaluation Team has recently concluded that there are no substantial barriers to its completion. The delivery of the AU2 examination will be ready for monitoring once the first cohort of students completes the AU2 course.

CMAO

While completing the CMAO assessment has been slower than anticipated earlier, important progress has continued to be made across all areas with redoubled efforts and close monitoring from both CMAO staff and the Evaluation Team to accelerate iterations of material between them and to minimize delay. As of mid-December 2011, the indications were that a completed report on substantial equivalence from the Evaluation Team to the Council could become available within weeks.

Monitoring and Oversight of Authorized Designated Bodies

The Council is required under the *Public Accounting Act, 2004* to conduct reviews of the operations of each Authorized Designated Body at least once every three years and to report on them to the Minister. The purpose of a periodic review is to:

(i) determine whether the Authorized Designated Body continues to meet the Council Standards;

(ii) determine whether the Authorized Designated Body is complying with the Council Standards;

(iii) oversee the Authorized Designated Body in its capacity to license and govern the activities of its members as public accountants; and

(iv) determine whether the purpose and objects of the Council are being met.

The Council has implemented procedures to fulfill its obligation under the Act.

As regards the required triennial review, and as detailed in last year's Council Annual Report, the report on the first such review for the ICAO (for the three years ended October 2009) was accepted by the Council in January 2011. The first triennial review for the CGAO is scheduled to begin upon completion of the reporting year that ends October 2013.

Further to this, in 2009 the Council determined that there was merit in conducting, on a reduced scale from the triennial, monitoring and reporting reviews of the standards-related activities of Authorized Designated Bodies for those years when a triennial review was not required. Accordingly, a review report for the ICAO for the year ended October 2010 was completed in September 2011 and accepted by the Council on September 27. This review indicated that there was no evidence that the ICAO was not in compliance with the standards for Authorized Designated Bodies as set out in the *Public Accounting Act, 2004*. Such an annual review, for the year ended October 2011, is being planned for the CGAO.

In addition to the above periodic triennial and annual reviews for Authorized Designated Bodies, the Council is authorized to conduct special reviews of a Designated Body where it concludes that it is in the public interest to do so. Such a review, the report on which was accepted by the Council in January 2011, was undertaken for the CGAO with respect to governance of its members qualified as licensed public accountants in the three years prior to authorization in June, 2010. This report was detailed in the Council's 2010 Annual Report.

All the above-mentioned review reports are published on the Council's website.

Addressing Significant Developments Occurring Outside the Council

Dispute over public accounting in Ontario via the Agreement on Internal Trade (AIT)

In November 2010, the Government of Manitoba ("Manitoba") initiated dispute resolution proceedings against the Government of Ontario ("Ontario") in connection with the *Notice of Measure to Achieve a Legitimate Objective under Chapter 7 of the Agreement on Internal Trade* filed by Ontario in November 2009 (the "*Notice*"). Manitoba challenged the rationale for the measures and requirements imposed by Ontario, as set out in the *Notice*, on workers already certified to practise public accounting in Manitoba.

The challenge to Ontario's exception for public accounting under the AIT was initially on behalf of the Certified General Accountants Association of Manitoba ("CGA Manitoba"), and the Certified Management Accountants of Manitoba ("CMA Manitoba"). The Governments of British Columbia, Alberta and Saskatchewan also joined the proceedings in support of Manitoba's position along with the respective CGA and CMA organizations for these three provinces.

Subsequently, the CMAs of the provinces originally involved in supporting Manitoba's complaint under the AIT withdrew from the process on account of their participation in accounting body merger discussions (see below).

Following the expiry of the 120-day consultation process in March, 2011, and in the absence of a resolution of the dispute, Manitoba petitioned the Internal Trade Secretariat for the establishment of a Dispute Resolution Panel under Chapter Seventeen of the AIT. This Panel was duly constituted, and hearings were held in late November, 2011, with a decision on Ontario's exception for public accounting expected in early 2012.

Merger discussions among CAs, CGAs and CMAs

In May 2011, the CA and CMA organizations for Canada announced that they were holding exploratory discussions regarding a prospective merger of their two bodies under a new common designation, Chartered Professional Accountant (CPA). Subsequently, CGA Canada also has joined these discussions. The outcome of these explorations, which involve extensive consultation with members as well as with Canadian governmental and nongovernmental bodies, is unlikely to be known before mid-2012.

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Both the above sets of developments can have profound, if as yet highly uncertain, consequences for the management of public accounting in Canada and therefore for the nature and extent, if any, of the Council's role. However, any clear resolution in either case will not happen before the coming year. Therefore, the Council's activity in their regard has thus far been essentially one of paying close attention to the way they have been developing.

At the same time, as regards the AIT dispute matter it can be noted that the Council was advised by the Government of Ontario in 2009 that its goal continued to be to reduce over time the number of exceptions taken by Ontario. Accordingly, the Council in 2010 reviewed the policy framework within which the Council could both perform its mandated role for maintaining public accounting standards in Ontario in accordance with the *Public Accounting Act, 2004*, and accommodate expectations regarding the Agreement on Internal Trade. This two-track policy, detailed in the Council's 2010 Annual Report, aimed: a) to demonstrate by action under Ontario's legislation that fully consistent, high, transparent standards for public accounting can in fact be achieved across different Canadian accounting bodies; and b) to be particularly mindful of labour mobility concerns in the Council's work to update and where appropriate raise existing standards.

Mention has been made earlier in this Report of the continued work in the past year to finalize the assessment for the CMAO, so that it can also be authorized, on the basis of substantial equivalence to the Council's current public accounting standards, to license and govern public accountants in Ontario. As well, concrete steps have been taken for joint work with the three Ontario designated accounting bodies that will enable the Council to move ahead expeditiously in updating standards once the CMAO has been authorized.

Complaints

Prosecutions

The Council is responsible for maintaining confidence in public accounting through appropriate prosecution of offences under the *Public Accounting Act, 2004*.

In this respect, the Council receives complaints about individuals who may be providing public accounting services without a licence. These complaints are investigated and followed up individually for action. The complaints relate primarily to non-licensed individuals advertising their services under captions for public accounting and non-licensed individuals issuing audit or review engagement reports in situations where it can be reasonably expected that there will be third party reliance on these reports. The majority of these situations are dealt with by having the individual sign a voluntary undertaking to cease the offending activity.

In the case where it is determined that a voluntary undertaking would be insufficient deterrent for the individual to cease the offending activity, the Council may initiate a private prosecution under the *Provincial Offences Act*.

The complaints activities for the past two fiscal years are summarized as follows:

	2011	2010
Complaints outstanding at beginning of year	2	-
New complaints received during the year	6	6
Complaints resolved through voluntary undertakings	4	4
Complaints being dealt with through private prosecution currently before the courts (one from 2010)	3	-
Complaints under investigation	1	2

Information regarding convictions is published on the Council's website under *Statutory Offences*.

Section 22 Reviews

A member of the public who is not satisfied with the manner in which a complaint about the conduct of a Licensed Public Accountant was handled by the licensing Authorized Designated Body, may under *section 22* of the *Public Accounting Act, 2004* request the Council to review the licensing body's handling of the complaint. The member of the public must first have made a complaint to the licensing body and exhausted the internal procedures of the licensing body for the handling of the complaint, including the licensing body's independent review mechanisms.

The Council's ability to address a complaint made pursuant to *section 22* is limited to recommending whether to refer the complaint back to the licensing body to investigate the complaint more fully. The Council's ability to review does not extend to decisions of the licensing body's disciplinary or appeal committees.

During 2011, the Council received four requests for a *section 22* review. Following the appropriate reviews and discussion, the Council determined not to refer three of the complaints back to the licensing body to be investigated more fully. The investigation of the fourth complaint is still in process.

GOVERNANCE

Composition of the Council

The Council is comprised of 17 Members:

- Nine Members appointed by the Lieutenant Governor in Council
- Two Members appointed by the Certified General Accountants Association of Ontario
- Two Members appointed by the Certified Management Accountants of Ontario
- Four Members appointed by the Institute of Chartered Accountants of Ontario

Each Member of the Council holds office for a term of up to three years from the date of his or her appointment and may be reappointed for up to four additional terms.

The Chair and Vice-Chair of the Council are appointed by the Lieutenant Governor in Council and hold office for two years from the date of appointment or until their successor is appointed. The Chair and Vice-Chair may be reappointed for an additional term. The Vice-Chair may be appointed Chair for up to two terms in addition to any terms the person may have served as Vice-Chair.

Appointment of the Chair

On December 22, 2009, John Crow was appointed as Chair of the Council for a two-year term expiring on December 21, 2011. Subsequent to the approval of this Annual Report by the Council, on December 13, 2011, Mr. Crow was reappointed as Chair by the Lieutenant Governor in Council for an additional one-year term beginning December 22, 2011.

Officers

The Council's Officers are:
Chair: John Crow
Vice-Chair: Maureen Sabia
Chief Executive Officer: Keith Bowman
Secretary: John Crow

Performance Reviews

The Council has established a performance review process for the Council. Performance reviews of the Council and its committees and Council Members are conducted every two years. The most recent performance reviews of the Council and its committees were conducted for the fiscal year ended in 2010. Performance reviews of the Chair and the Chief Executive Officer are conducted annually.

Compensation Framework

The compensation of the Members of the Council, including the Chair and Vice-Chair, is prescribed by the Lieutenant Governor in Council in Regulations made under the *Public Accounting Act, 2004*.

Members of the Council, with the exception of the Chair and the Vice-Chair, are compensated in accordance with the following framework:

- Meeting Attendance Fee: $700 per meeting ($350 for meetings under three hours)
- Preparation Time: $700 per meeting ($350 for meetings under three hours)
- Travel Time: $100 per hour*

* Payable to Members of the Council (other than the Chair) who are required to travel beyond 40 kilometers (one-way) to attend a meeting.

The compensation of the Chair is $166,666 per annum.

The compensation of the Vice-Chair is $1,000 per meeting attended ($500 for meetings under three hours) and $1,000 for preparation time per meeting ($500 for meetings under three hours).

All Council Members, including the Chair and the Vice-Chair, are reimbursed for related travel and out-of-pocket expenses.

Succession Planning

The Council is not empowered under the *Public Accounting Act, 2004* to appoint its directors (who are referred to in the Act as "Council Members") or its Chair or Vice-Chair.

As noted above, the Act provides that of the 17 Council Members prescribed by the Act, two are to be appointed by the CGAO, two are to be appointed by the CMAO, four are to be appointed by the ICAO, and nine are to be appointed by the Lieutenant Governor in Council. These entities are collectively referred to as the "appointing bodies".

In an effort to ensure that Council Members are experienced and qualified and to assist the appointing bodies, the Council, with the input of the Designated Bodies, has developed a Council Member Profile and a template to be used to assess the competency and diversity of the individual Council Members and of potential appointees to the Council. The information that is gathered is used to prepare a Competency and Diversity Matrix to assess the overall strength of the skills and diversity of the Council Members and to identify any gaps for the purpose of assisting the appointing bodies in their selection of persons to replace retiring Council Members and to fill any vacancies. The Council has requested the appointing bodies to use these tools in determining whether their respective appointees are experienced and qualified to serve as Council Members. In addition, the Council takes an active role in assessing the qualifications of the nominees for appointment to the Council and Council also communicates its views to the appointing bodies.

COUNCIL MEMBERS

Members Appointed by the Lieutenant Governor in Council

Name	Member of Council Since	Term Expires
James C. Baillie Of Counsel, Torys LLP Initial Chair of the Audit and Assurance Oversight Council (Toronto, Ontario)	**December 3, 2008**	**December 2, 2013**
John Crow Corporate Director Former Governor of the Bank of Canada (Toronto, Ontario) Chair of the Council and Secretary	**November 1, 2005**	**December 21, 2012**
Aldo Di Felice President Telelatino Network Inc. (Toronto, Ontario)	**February 11, 2009**	**February 10, 2014**
Lili-Ann Foster President and CEO of Renaud Foster Management Consultants (Ottawa, Ontario)	**October 25, 2006**	**October 24, 2012**
Shoba Khetrapal Corporate Director (Toronto, Ontario)	**December 3, 2008**	**December 2, 2013**
Jacqueline Orange Corporate Director (Toronto, Ontario)	**July 8, 2010**	**July 7, 2012**
Maureen Sabia Vice-Chair of the Council Chairman, Canadian Tire Corporation, Limited (Toronto, Ontario)	**November 1, 2005**	**October 31, 2012**
Ian Shewan Partner, Lerners LLP (London, Ontario)	**July 8, 2010**	**July 7, 2012**
Larry Wynant Professor of Finance Richard Ivey School of Business, Universty of Western Ontario, Ontario	**April 18, 2011**	**April 17, 2013**

Members Appointed by the Certified General Accountants Association of Ontario

Name	Member of Council Since	Term Expires
Ron Colucci, FCGA Operates an accounting, income tax and business advisory practice (Mississauga, Ontario)	**November 1, 2005**	**October 31, 2014**
John Nazzarro, CGA Partner in the Firm of Nazzarro Clark, Certified General Accountants (Concord, Ontario)	**November 1, 2008**	**October 31, 2012**

Members Appointed by the Certified Management Accountants of Ontario

Name	Member of Council Since	Term Expires
Nigel Jacobs, FCMA Chief Executive Officer of Taylor Leibow LLP, Chartered Accountants (Hamilton, Ontario)	**November 1, 2008**	**October 31, 2012**
Howard E. Johnson, MBA, FCMA, FCA, CBV,CPA, ASA, CF, C DIR Managing Director Campbell Valuation Partners Limited (Toronto, Ontario)	**August 24, 2009**	**October 31, 2012**

Members Appointed by the Institute of Chartered Accountants of Ontario

Name	Member of Council Since	Term Expires
Colleen E. Gibb, FCA, CFE Partner in the Firm of Gibb Widdis, Chartered Accountants (Ancaster, Ontario)	**November 1, 2005**	**October 31, 2013**
Ralph T. Neville, FCA Consultant Formerly Senior Tax Partner with BDO Dunwoody LLP (Oakville, Ontario)	**November 1, 2005**	**October 31, 2013**
Erik Peters, FCA Retired Auditor-General of Ontario	**November 1, 2005**	**October 31, 2013**
Michael Walke, CA Audit and Assurance Partner, PricewaterhouseCoopers LLP (Toronto, Ontario)	**November 1, 2005**	**October 31, 2013**

COUNCIL COMMITTEES

Audit Committee

Members: James C. Baillie (Chair)
Shoba Khetrapal
Jacqueline Orange
Erik Peters

The Audit Committee's responsibilities include the review of the Council's financial statements, the Council's risk management processes, systems of internal controls and compliance with applicable laws and regulations. The Audit Committee consists of at least three Members, each of whom is appointed by the Lieutenant Governor in Council. The Chair, Vice-Chair and the Secretary of the Council may not serve as members of the Audit Committee. The Chair of the Audit Committee is appointed by the Council.

Governance Committee

Members: Lili-Ann Foster (Chair)
Ron Colucci
John Crow
Nigel Jacobs
Maureen Sabia
Michael Walke

The Governance Committee's responsibilities include recommendations for committee structure and Council membership and overseeing the process for performance assessment of the Council and its committees, Council Members, the Chair and the Chief Executive Officer.

The Governance Committee consists of at least three Members appointed by the Council. The Council has established a practice of appointing to the Governance Committee a nominee of each of the CGAO, CMAO and the ICAO as well as three of the Members appointed by the Lieutenant Governor in Council. The Chair of the Governance Committee is appointed by the Council.

Council and Committee Meetings

The following is the number of Council and Committee meetings held during the 12 months ended October 31, 2011:

Council	5
Audit Committee	2
Governance Committee	1

Attendance at Council and Committee Meetings

The following is a summary of individual Member attendance at Council and Committee Meetings held during the 12 months ended October 31, 2011:

Member	Council Meetings Attended	Committee Meetings Attended
James C. Baillie[1]	5 of 5	2 of 2
Ron Colucci[2]	5 of 5	1 of 1
John Crow[2,3]	5 of 5	2 of 2 and 1 of 1
Aldo Di Felice	5 of 5	-
Lili-Ann Foster[2]	4 of 5	1 of 1
Colleen Gibb	5 of 5	-
Nigel Jacobs[2]	4 of 5	1 of 1
Howard E. Johnson	5 of 5	-
Shoba Khetrapal[1]	5 of 5	1 of 2
John Nazzarro	5 of 5	-
Ralph Neville	4 of 5	-
Jacqueline Orange[1]	5 of 5	2 of 2
Erik Peters[1]	4 of 5	2 of 2
Maureen Sabia[2]	5 of 5	1 of 1
Ian Shewan	5 of 5	-
Michael Walke[2]	4 of 5	0 of 1
Larry Wynant[4]	2 of 2	-

1 Member of Audit Committee
2 Member of Governance Committee
3 The Chair of the Council attends each Audit Committee meeting
4 Appointed to Council on April 18, 2011

MANAGEMENT DISCUSSION AND ANALYSIS

The following information provides a summary review of the operations and results of the Council for the year ended October 31, 2011. It is intended to assist readers in understanding the operations of the Council. This should be read along with the accompanying financial statements.

The Council is a corporation without share capital that was continued under the *Public Accounting Act, 2004*. The Act was proclaimed into force on November 1, 2005. As a not-for-profit corporation, the Council is exempt from income taxes.

Operations

The net operating costs of the Council are funded by the three Designated Bodies. Designated Body assessment fees are set based on the estimated net operating expenses of the Council adjusted for an amount to continue building the net assets to approximately 50% of estimated annual operating expenses. These assessment fees were set at $1,250,000 in 2011 ($1,160,000 in 2010).

In addition to the annual assessment fees, Council standards assessments costs of $1,155,332 ($1,043,987 in 2010) were incurred in the process of determining whether the standards of the respective Designated Bodies are substantially equivalent to those of the Council. These costs include Designated Body assessments to determine if the operations of the CGAO and ICAO were compliant with the standards of the Council for governance of their respective licensed public accountants. All of these costs are billed to and recoverable from the Designated Bodies.

The other source of revenue is interest income earned from investments amounting to $14,199 ($12,547 in 2010).

The main expenses relating to the other operations of the Council are salaries and benefits totalling $551,419 ($553,525 in 2010), and Council fees, travel and meetings expenses totalling $104,439 ($77,310 in 2010).

Costs for legal and other costs of hearings and prosecutions increased to $176,454 from $30,572 in 2010. These increased costs resulted from an increase in prosecution activities in 2011 as a result of increased number of complaints received from the public. Non-recoverable standards costs decreased to $30,958 from $113,970 in 2010. Legal advisory costs increased to $113,462 from $73,341 in 2010 as a result of additional legal advice sought on general corporate matters. Other costs incurred for rent, and general administrative matters were similar to 2010. Total expenses, excluding the recoverable standards assessment expenses, increased to $1,242,940 from $1,172,201 in 2010.

Cash Flow and Liquidity

The Council's cash flow from operations increased by $150,564 (increased by $67,110 in 2010). This increase in cash flow from operations resulted primarily from the Council operations and net changes in the amounts due to Designated Bodies. As at year-end, the Council had $1,483,012 ($1,342,248 in 2010) in cash and investments. The Council's established policy is to achieve minimum net assets approximating 50% of estimated annual operating expenses.

During 2011, the Council invested its excess funds in: (i) interest bearing debt obligations of or guaranteed by the Government of Canada, or (ii) interest bearing debt obligations that meet certain eligibility criteria of or guaranteed by a Province of Canada or by a Canadian chartered bank.

Financial Outlook

The Council has approved an operating budget, excluding standards assessments, of $1,250,000 for the 2012 fiscal year, the same as the operating budget that was set for the 2011 fiscal year. It is expected that the recoverable costs for 2012 will be significantly lower than for 2011 due to anticipated lower activity of the Council's evaluators. The majority of expenses are forecast to be similar to those actually incurred in 2011. The costs for hearings and prosecutions will vary according to the number of reported complaints from the public.

STATEMENT OF MANAGEMENT RESPONSIBILTY

The annual financial statements and all financial and other information contained in this Annual Report are the responsibility of the management of The Public Accountants Council for the Province of Ontario. Management has prepared the financial statements in accordance with Canadian Accounting Standards for not-for-profit organizations applying best estimates and judgments based on currently available information. The Council early adopted the not-for-profit standards for the current year. There were no changes to net assets required as a result of adopting the new not-for-profit standards. The significant accounting policies are described in note 2 to the financial statements.

Financial information contained in this Annual Report is consistent with that shown in the financial statements.

Management is responsible for the integrity and reliability of financial information, and has established systems of internal procedural and accounting controls designed to achieve this. In addition, these systems also reasonably ensure that assets are safeguarded from loss or unauthorized use.

The Members of the Council are responsible for ensuring that management fulfills its responsibilities including those for financial reporting and internal control. The Council has created an Audit Committee to help it with these responsibilities. The Audit Committee met with the auditors, both with and without management present, to review the activities of each, as well as to review the financial statements.

Tinkham & Associates LLP have been appointed by the Council as auditors to express their opinion on the fair presentation of the financial statements. They have had full and unrestricted access to the Audit Committee and management to discuss matters pertaining to their audit.

The Audit Committee reviews the auditors' performance annually and makes a recommendation to the Members of the Council with respect to their reappointment for the coming year.

Signed: "Keith Bowman"
Keith Bowman
Chief Executive Officer

Signed: "John Crow"
John Crow
Chair

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FINANCIAL STATEMENTS

Financial statements of

THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO

October 31, 2011

Tinkham & Associates LLP
CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To The Public Accountants Council for the Province of Ontario

We have audited the accompanying financial statements of The Public Accountants Council for the Province of Ontario, which comprise the balance sheets as at October 31, 2011, October 31, 2010 and November 1, 2009 and the statements of operations and changes in net assets, and cash flows for the years ended October 31, 2011 and October 31, 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Public Accountants Council for the Province of Ontario as at October 31, 2011, October 31, 2010 and November 1, 2009 and the results of its operations and its cash flows for the years ended October 31, 2011 and October 31, 2010 in accordance with Canadian accounting standards for not-for-profit organizations.

TORONTO, Ontario

Tinkham & Associates LLP
CHARTERED ACCOUNTANTS

December 13, 2011

Licensed Public Accountants

THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO
Balance Sheet

As at	October 31 2011	October 31 2010	November 1 2009
Assets			
Current			
Cash	$ 700,337	$ 69,786	$ 75,078
Short term investments (note 3)	-	717,664	433,355
Prepaid expenses	7,424	9,586	7,564
	707,761	797,036	515,997
Investments (note 3)	782,675	554,798	801,608
Capital (note 4)	40,084	82,153	109,382
	$ 1,530,520	$ 1,433,987	$ 1,426,987
Liabilities and Net Assets			
Current liabilities			
Accounts payable and accrued liabilities (note 5)	$ 242,339	$ 248,879	$ 104,830
Due to Designated Bodies	300,155	218,341	355,736
	542,494	467,220	460,566
Net assets	988,026	966,767	966,421
	$ 1,530,520	$ 1,433,987	$ 1,426,987

Commitment (note 6)

See accompanying notes to financial statements.

On behalf of the Council:

John Crow

James C Baillie

THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO

Statement of Operations and Changes in Net Assets

Year ended October 31	2011	2010
Revenues		
Designated Bodies assessment fees	$ 1,250,000	$ 1,160,000
Recovery of Standards assessment expenses	1,155,332	1,043,987
Investment income	14,199	12,547
	2,419,531	2,216,534
Expenses		
Standards assessments	1,155,332	1,043,987
Salaries and benefits	551,419	553,525
Legal and other costs of hearings and prosecutions	176,454	30,572
Rent	137,308	126,155
Legal advisory	113,462	73,341
Council fees, travel and meetings	104,439	77,310
Amortization	51,869	62,133
Office	51,310	79,373
Standards	30,958	113,970
Audit	12,996	10,868
Insurance	12,725	12,759
Consultants	-	32,195
	2,398,272	2,216,188
Excess of revenues over expenses for the year	21,259	346
Net assets, beginning of year	966,767	966,421
Net assets, end of year	$ 988,026	$ 966,767

See accompanying notes to financial statements.

THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO

Statement of Cash Flows

Year ended October 31	2011	2010
Cash provided by (used for):		
Operating activities		
Excess of revenues over expenses for the year	$ 21,259	$ 346
Adjustments for items which do not affect cash		
Amortization	51,869	62,133
	73,128	62,479
Changes in non-cash working capital balances		
Due to Designated Bodies	81,814	(137,395)
Net decrease (increase) in prepaid expenses	2,163	(2,022)
Net increase (decrease) in accounts payable	(6,541)	144,048
	77,436	4,631
Net cash provided (used) for operating activities	150,564	67,110
Investing activities		
Net decrease (increase) in investments	489,787	(37,498)
Purchases of capital assets	(9,800)	(34,904)
	479,987	(72,402)
Increase (decrease) in cash	630,551	(5,292)
Cash, beginning of year	69,786	75,078
Cash, end of year	$ 700,337	$ 69,786

See accompanying notes to financial statements.

1 Purpose of the organization

The Public Accountants Council for the Province of Ontario (the Council) is a corporation without share capital that was continued under the Public Accounting Act, 2004 (the Act). The Act was proclaimed into force on November 1, 2005.The Council is exempt from income taxes.

The purpose of the Council is to ensure that public accounting in Ontario is practised in accordance with internationally respected public accounting standards that reflect the public interest in the delivery of superior quality public accounting services. The Council is responsible for:

Developing and maintaining the standards that a Designated Body must meet in order to be authorized to license and govern the activities of its members as public accountants;

Determining which Designated Body meets the standards, when it meets them and whether it continues to meet the standards after it is authorized to license and govern the activities of its members as public accountants;

Overseeing the Designated Bodies in their capacity to license and to govern the activities of their members as public accountants; and

Maintaining public confidence in public accounting through the appropriate prosecution of offences under the Public Accounting Act, 2004.

The Designated Bodies are the Certified General Accountants of Ontario, the Certified Management Accountants of Ontario, and the Institute of Chartered Accountants of Ontario. The Council's operations are funded by the Designated Bodies.

2 Significant Accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

(a) Capital assets

Capital assets are recorded at cost. Amortization is provided over the estimated useful lives of the assets using the straight-line basis as follows:

Furniture, equipment and systems	- 10% and 25% annually
Leasehold improvements	- over the term of the lease

(b) Investments

Management has elected to value all investments at fair value including accrued interest which is based on quoted market values.

(c) Revenue recognition

In accordance with section 33 of the Act, the Council prescribes the fees that are to be paid by the Designated Bodies to fund the operations of the Council. These fees are based on the Council's annual operating expenditures. The prescribed fees are recognized as revenue in the fiscal year to which the expenses relate.

The Council has retained independent consultants to assist it in determining whether the respective standards of the Designated Bodies are substantially equivalent to the Council's standards. The related recoveries of costs incurred are recognized as revenue when approved as recoverable.

2 Accounting policies continued

(d) Financial instruments

The Council initially measures its financial assets and liabilities at fair value. Council subsequently measures all its financial assets and financial liabilities at amortized cost, except for its investments in government bonds that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the excess of revenue over expenses.

Financial assets measured at amortized cost include cash and term deposits. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and due to designated bodies.

Council recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

(e) Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

(f) Adoption of new accounting standards

The accounting standards for not-for-profit organizations - Part III of the CICA Handbook is mandatory for annual financial statements related to fiscal years beginning on or after January 1, 2012. The Council has early-adopted the not-for-profit standards for the current year. There were no changes to net assets required as a result of adopting the new not-for-profit standards.

Council has elected to value all investments at fair value at the date of transition.

3 Investments

	2011	2010
Ontario savings bond, interest at 0.75% initially and increasing to 4.50% due June 21, 2014	$ 504,514	$ 502,667
Ontario savings bond, interest at 1.25% initially and increasing to 3.75% due June 21, 2016	226,017	-
Ontario savings bond, variable interest rate, currently at 1.30% (2010 - 1.25%) due June 21, 2016	52,144	52,131
Guaranteed investment certificates, cashable, matured July 25, 2011, bearing interest at 0.85%	-	424,968
Deposit notes, due June 1 to July 14, 2011, semi-annual yield to maturities ranging from 1.60% to 1.78%	-	292,696
	$ 782,675	$ 1,272,462
Less: current portion	-	717,664
Long-term investments	$ 782,675	$ 554,798

The guaranteed investment certificates are cashable without penalty. The deposit notes and Ontario Savings Bonds can be sold at market value at any time.

Council invests in interest bearing debt obligations of or guaranteed by the Government of Canada, and of or guaranteed by a Province of Canada or by a Canadian chartered bank that meet certain specified eligibility criteria. All investments are readily convertible into known amounts of cash. Council does not purchase investments for speculative purposes.

4 Capital assets

	2011		2010	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture, equipment and systems	$ 178,534	$ 142,356	$ 181,384	$ 126,571
Leasehold improvements	117,172	113,266	117,172	89,832
	$ 295,706	$ 255,622	$ 298,556	$ 216,403
Net book value		$ 40,084		$ 82,153

5 Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities is Employer Health Tax payable of $7,670 (2010 - $964).

6 Lease commitment

Council has entered into a lease agreement for office space that extends until December 31, 2016. The minimum lease commitment plus the proportionate share of realty taxes and operating expenses for 2012 is estimated to be $136,000.

Minimum annual lease payments, excluding the Council's share of realty taxes and operating expenses required in each of the next five fiscal years are as follows:

2012	$	46,956
2013		50,217
2014		50,869
2015		50,869
2016		54,130

7 Financial risk management policy

The Public Accountants Council for the Province of Ontario is exposed to various risks through its financial instruments.

The Council has invested in floating interest rate securities and is exposed to a cash flow risk. Securities are exposed to price risk through fluctuation in quoted market values. The Council's investment policy restricts investments to Government and bank issued investments and bears limited risk to market price fluctuations.

CONTACT INFORMATION

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